GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:923
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POWER TARIFF POLICY
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Will the Minister of POWER be pleased to state:

(a) the basic guidelines of power tariff policy;

(b) the ratios and proportions to be maintained while fixing the tariffs for different sectors of consumers, domestic, commercial, industrial and agricultural;

(c) whether power tariffs for domestic, agricultural and commercial power consumption has increased manifold during the 9th and 10th Five Year Plan periods in the country;

(d) if so, the details thereof along with the reasons therefor; and

(e) the efforts being made by the Government for rationalization of power tariff?

Answer

THE MINISTER OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) to (e) : Determination of power tariffs to be charged by the distribution licensees is the statutory function of the State Electricity Regulatory Commissions (SERCs). In doing so SERCs are guided by the provisions contained in the Electricity Act 2003 which, inter alia, include the factors that would encourage competition, efficiency, economical use of resources, safeguarding of consumers interests and at the same time ensure recovery of cost of electricity in a reasonable manner, reduction of cross subsidies, the National Electricity Policy and the Tariff Policy. The SERC is required to determine tariff in a transparent way after hearing various stakeholders.

The Tariff Policy, which has been notified on 6th January, 2006 by the Central Government under the provisions of the Electricity Act, 2003, lays down approach for the determination of the tariffs for the generation, transmission and distribution of electricity.The Policy provides for following, in order to achieve rationalisation of tariff:-

(1) In accordance with the National Electricity Policy, consumers below poverty line who consume below a specified level, say 30 units per month, may receive a special support through cross subsidy. Tariffs for such designated group of consumers will be at least 50% of the average cost of supply. This provision will be re-examined after five years.

(2) For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the SERC would notify roadmap with a target that latest by the end of year 2010-2011 tariffs are within ? 20% of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy.

Average rate of Electricity for various categories of consumers at the beginning and end of the 9th Five Year Plan and at the end of 10th Five Year Plan are given in Annexure- I, II & III respectively.

The tariff of electricity depends on the overall power purchase cost as well as the operational and financial performance of the Distribution Companies (DISCOMs) i.e. Aggregate Technical and Commercial (AT&C) losses, operational expenses, capital investment for system upgradation/augmentation etc.